Registered Number 237511

Arcadia Group Limited

Annual report

for the year ended 30 August 2008

Arcadia Group Limited
Annual report
for the year ended 30 August 2008

Contents

Arcadia Group Limited

Directors' report for the year ended 30 August 2008

The directors present their report together with the audited financial statements of the Company for the year ended 30 August 2008.

Principal activities, review of business and dividends
The Company's principal activities are those of a property and investment holding company. The Company also provides administrative and logistical services to its subsidiary undertakings.

The profit and loss account is set out on page 4. During the year, the Company formed part of Taveta Investments Limited and a review of the group's businesses during the year and its position at 30 August 2008 is given on page 1 to the financial statements of that company.

The directors do not recommend the payment of a dividend (2007: £nil) and the retained profit for the year of £56,178,000 (2007: £66,457,000) has therefore been transferred to reserves.

Management and reporting of risks and Key Performance Indicators (KPIs)
The directors of Taveta Investments Limited manage the Company's risks, and those of its fellow subsidiaries, at a group level. Furthermore, they monitor the group's performance on a brand basis rather than at statutory company level.

For these reasons the Company's directors do not believe that a discussion of the principal risks facing the Company or of the KPIs used to analyse its performance is appropriate for an understanding of its development, performance or financial position.

The KPIs used by the group and the principal business risks it faces, are discussed on page 1 of Taveta Investments Limited's annual report, which does not form part of this report.

Directors
The directors who held office during the year ended 30 August 2008 were as follows:

Ian Allkins
Paul Budge
Paul Coackley
Ian Grabiner
Lord Grabiner QC
Sir Philip Green

Donations
During the year, donations to the value of £321,000 (2007: £1,287,000) were given to various UK charitable organisations.

Directors' report for the year ended 30 August 2008 (continued)

Employees
All staff are informed about matters concerning their interests as employees and the financial position of the Group through a number of communication channels including face-to-face briefings, an intranet site supplemented by e-mail announcements and a staff magazine.

The board recognises the importance of a highly motivated and well trained workforce. It encourages employees' involvement in the Group's performance through their participation in a variety of incentive bonus schemes linked to the achievement of operational or financial targets in the part of the business for which they work, and it invests in training programmes aimed at achieving the highest standards of personal development and customer service.

The Group is an equal opportunities employer, recruiting and promoting employees on the basis of suitability for the job and on no other grounds. Proper consideration is given to employment applications from disabled persons whose aptitude and skills can be utilised within the business and to their training and career progression. Wherever possible, this includes the retraining and retention of staff that become disabled during their employment.

Statement of directors' responsibilities
Company law requires the directors to prepare financial statements for each financial year that give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period. The directors are required to prepare the financial statements on the going concern basis, unless it is inappropriate to presume that the Company will continue in business.

The directors confirm that suitable accounting policies have been used and applied consistently. They also confirm that reasonable and prudent judgements and estimates have been made in preparing the financial statements for the year ended 30 August 2008 and that applicable accounting standards have been followed.

The directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors confirm that so far as they are aware, there is no relevant audit information of which the Company's auditors are unaware, and that each director has taken all the steps that he ought to have taken in his duty as a director in order to make himself aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

Independent auditors
The Company has passed an elective resolution to dispense with the annual appointment of auditors. PricewaterhouseCoopers LLP will therefore continue as auditors in accordance with and subject to Section 386 of the Companies Act 1985.

On behalf of the Board

Paul Budge
Director
2 February 2009

Arcadia Group Limited

Independent auditors' report to the members of Arcadia Group Limited

We have audited the financial statements of Arcadia Group Limited for the year ended 30 August 2008 which comprise the profit and loss account, the balance sheet, the accounting policies and the related notes. These financial statements have been prepared under the accounting policies set out therein.

Respective responsibilities of directors and auditors
The directors' responsibilities for preparing the annual report and the financial statements in accordance with applicable law and United Kingdom accounting standards (United Kingdom Generally Accepted Accounting Practice) are set out in the statement of directors' responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Auditing Standards (UK and Ireland). This report, including the opinion, has been prepared for and only for the Company's members as a body in accordance with Section 235 of the Companies Act 1985 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or in to whose hands it may come save where expressly agreed by our prior consent in writing.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you whether in our opinion the information given in the directors' report is consistent with the financial statements.

In addition we report to you if, in our opinion, the Company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed.

We read the directors' report and consider the implications for our report if we become aware of any apparent misstatements within it.

Basis of audit opinion
We conducted our audit in accordance with International Standards on Auditing (United Kingdom and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion
In our opinion:

- the financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the Company's affairs as at 30 August 2008 and of its profit for the year then ended;

- the financial statements have been properly prepared in accordance with the Companies Act 1985; and

- the information given in the directors' report is consistent with the financial statements.

PricewaterhouseCoopers LLP

PricewaterhouseCoopers LLP
Chartered Accountants and Registered Auditors
Leeds
2 February 2009

Arcadia Group Limited

Profit and loss account for the year ended 30 August 2008

	Note	2008 £'000	2007 £'000
Turnover	1	**66,853**	82,914
Cost of sales		**(6,773)**	(21,649)
Gross profit		**60,080**	61,265
Distribution costs		**(33,946)**	(35,514)
Administrative expenses		**(28,590)**	(26,618)
Other operating income	2	**7,043**	10,660
Operating profit	2	**4,587**	9,793
Income from fixed asset investments		**7,491**	-
Provision against fixed asset investments		**(7,491)**	-
Profit on ordinary activities before interest and taxation		**4,587**	9,793
Net interest receivable and similar income	3	**90,299**	71,403
Profit before taxation		**94,886**	81,196
Taxation	5	**(38,708)**	(14,739)
Retained profit for the year	14	**56,178**	66,457

All of the results in the profit and loss account above relate to continuing activities.

The only recognised gains and losses are those dealt with in the profit and loss account above.

There is no difference between the profit before taxation and the retained profit for the year stated above and their historical cost equivalents.

Arcadia Group Limited

Balance sheet as at 30 August 2008

	Note	2008 £'000	2007 £'000
Fixed assets			
Tangible assets	6	**42,789**	29,742
Investments	7	**2,734,979**	2,509,886
		2,777,768	2,539,628
Current assets			
Stocks		**320**	511
Debtors	8	**26,975**	28,795
Cash at bank and in hand		**1,491**	66,645
		28,786	95,951
Creditors: amounts falling due within one year	9	**(144,408)**	(76,270)
Net current (liabilities) / assets		**(115,622)**	19,681
Total assets less current liabilities		**2,662,146**	2,559,309
Creditors: amounts falling due after more than one year	10	**(1,631,915)**	(1,589,872)
Provisions for liabilities and charges	11	**(9,320)**	(4,704)
Net assets		**1,020,911**	964,733
Capital and reserves			
Called up share capital	12	**168,163**	168,163
Share premium account	13	**393,676**	393,676
Capital redemption reserve	13	**223,431**	223,431
Profit and loss account	13	**235,641**	179,463
Equity shareholders' funds	14	**1,020,911**	964,733

The financial statements on pages 4 to 17 were approved by the board of directors on 2 February 2009 and were signed on its behalf by:

Paul Budge
Director

Arcadia Group Limited

Accounting policies

Accounting convention
The financial statements are drawn up under the historical cost convention and in accordance with applicable accounting standards. A summary of the more important accounting policies, which have been applied consistently, is set out below.

Cash flow statement
The Company has taken advantage of the exemption allowed by Financial Reporting Standard 1 (revised) from preparing a cash flow statement, as the Company's cash flows are included within the consolidated cash flow statement of its ultimate parent undertaking, Taveta Investments Limited.

Turnover
Turnover represents rents receivable from group undertakings and external tenants, together with amounts charged to group undertakings for the provision of administrative and logistical services. It accrues on a daily basis and is stated net of value added tax.

Other operating income
Income from the operation of the Group's store card business is recognised in the same period as the underlying sales transaction. Upfront contributions towards the Group's store card business have been deferred and are being released to the profit and loss account over the term of the related contract.

Investments
Fixed asset investments are shown at cost less amounts written off. Provision is made where, in the opinion of the directors, there has been an impairment in the carrying value of investments. Income from fixed asset investments represents dividends received from subsidiary undertakings.

Tangible fixed assets
Fixed assets are stated at cost. Fixed asset values are reviewed for impairment in accordance with Financial Reporting Standard 11: Impairment of fixed assets and goodwill.

Depreciation
Depreciation is provided so as to write off the cost of tangible fixed assets by equal instalments over their estimated useful economic lives as follows:

Land: not depreciated

Freehold and long leasehold buildings over 50 years: depreciated to their estimated residual value over their estimated useful economic life

Short leasehold land and buildings: life of lease

Office equipment: 10 years

Computer equipment: 3 to 4 years

Motor vehicles are depreciated on the reducing balance basis at a rate of 25% per annum.

Arcadia Group Limited

Accounting policies (continued)

Pension costs
The Company operates a couple of defined benefit schemes on behalf of its employees and those of its subsidiaries. The employing companies contribute in order to provide pension and other benefits expressed in terms of a percentage of pensionable salary. Although these pension schemes are defined benefit in nature the Company accounts for its contributions as though they were defined contribution schemes as the Company and its subsidiaries are unable to identify their respective share of the schemes' underlying assets and liabilities.

The main defined benefit scheme is now closed to new entrants and eligible employees are offered the opportunity to join the Group's defined contribution scheme operated by the Company. For this scheme, the amounts charged to the profit and loss account are the contributions payable during the period.

Taxation
Deferred taxation is provided on all timing differences that have originated but not reversed at the balance sheet date. Deferred tax assets are regarded as recoverable and therefore recognised only when, on the basis of all available evidence, it can be regarded as more likely than not that there will be suitable taxable profits from which the future reversal of the underlying tax differences can be deducted. Deferred tax is not recognised on revalued assets unless there is a binding agreement at the balance sheet date to sell the revalued asset and the related gain or loss has been recognised in the financial statements. Deferred tax assets and liabilities are not discounted.

Foreign exchange
Transactions in foreign currencies are recorded at the rate of exchange ruling at the date of the transaction. Assets and liabilities recorded in foreign currencies are translated either at the rates ruling at the balance sheet date or the rates fixed by forward contracts. Exchange differences are dealt with in the profit and loss account.

Leased assets
Assets held under finance leases are capitalised as tangible fixed assets and depreciated over the shorter of their estimated useful economic lives and the period of the lease. Rentals are apportioned between reductions in the capital obligations included within creditors and finance charges which are charged to the profit and loss account at a constant effective rate of interest.

Rentals payable under operating leases are charged to the profit and loss account as incurred except where incentives to sign the leases have been received. Such incentives are spread on a straight-line basis over the lease term, or if shorter, the period to the next open market rent review date.

Treasury instruments
Gains and losses on hedges of payments or receipts are deferred and only recognised as they crystallise. Gains and losses on forward currency contracts entered into as hedges of future purchases denominated in foreign currency are carried forward and are recognised as part of the purchase cost on maturity.

Arcadia Group Limited

Notes to the financial statements for the year ended 30 August 2008

1 Turnover

Turnover is wholly attributable to the Company's principal activities and arises in the United Kingdom. Turnover includes management charges of £65,650,000 (2007: £81,900,000) levied on the Company's subsidiary undertakings.

2 Operating profit

Operating profit is stated after charging / (crediting):	2008 £'000	2007 £'000
Employment costs (note 4)	**93,502**	97,357
Depreciation - owned assets	**9,147**	9,492
- leased assets	**811**	-
Property rentals received	**(1,199)**	(974)
Property rentals paid	**1,164**	944
Other operating lease rentals	**2,995**	2,376
Other operating income (see below)	**(7,043)**	(10,660)
Auditors' remuneration:		
Audit services:		
Statutory audit of the Company and its subsidiaries	**151**	150
Tax services:		
Compliance	**16**	25
Other tax services	**218**	104
All other services	79	167

Other operating income mainly arises from the operation of the Group's store cards.

3 Net interest receivable and similar income

	2008 £'000	2007 £'000
Interest and similar charges payable on:		
Bank overdrafts	**(2,005)**	(1,437)
Interest receivable on:		
Bank deposits	**29**	42
Other deposits	**765**	395
Loans to group undertakings	**91,510**	72,403
Interest receivable and similar income	**92,304**	72,840
Net interest receivable and similar income	**90,299**	71,403

4 Employees and directors

Particulars of employee costs (including executive directors) are shown below:

Employees (including executive directors)	2008 £'000	2007 £'000
Wages and salaries	**82,434**	85,834
Social security costs	**8,593**	8,658
Pension costs (note 17)	**2,475**	2,865
Total employment costs	**93,502**	97,357

The average monthly number of people employed by the Company during the year was 2,163 (2007: 2,143). All of these employees provide administrative support to the Company's retailing subsidiaries.

The equivalent average number of full-time employees was 2,106 (2007: 2,086).

Total directors' remuneration comprises:	2008 £'000	2007 £'000
Aggregate emoluments	**2,463**	2,262

The Company has not contributed to any money purchase pension arrangements on behalf of its directors.

At the year end, 2 directors (2007: 2) had retirement benefits accruing under the Company's defined benefit pension schemes.

Highest paid director	2008 £'000	2007 £'000
Aggregate emoluments	**1,167**	1,000

The highest paid director has an accrued annual pension of £22,200 under the Company's defined benefit arrangements.

Notes to the financial statements for the year ended 30 August 2008 (continued)

5 Taxation

a. Analysis of tax charge for the year	**2008** **£'000**	2007 £'000
Based on the profit for the year		
UK corporation tax at 29.17% (2007: 30%):		
- Current year	**33,589**	19,729
- Prior years	**503**	(6,223)
Total current tax (note 5b)	**34,092**	13,506
Deferred tax – origination and reversal of timing differences (note 11)	**4,616**	1,233
Total taxation	**38,708**	14,739

The tax assessed for the year is higher than the standard rate of corporation tax in the United Kingdom (29.17%). The differences are explained below:

b. Factors affecting the current tax charge for the year	**2008** **£'000**	2007 £'000
Profit before taxation	**94,886**	81,196
Profit before taxation multiplied by the standard rate of corporation tax in the United Kingdom of 29.17% (2007: 30%)	**27,678**	24,359
Effects of:		
Expenses not deductible for tax purposes	**5,521**	673
Capital allowances in excess of depreciation	**(610)**	(1,673)
Other timing differences	**1,000**	(3,630)
Adjustment in respect of prior years	**503**	(6,223)
Current tax charge for the year (note 5a)	**34,092**	13,506

The Company has entered into a group payment arrangement with the Inland Revenue whereby it undertakes to make corporation tax payments on behalf of all subsidiary companies within the same tax group. Accordingly, at the year end the aggregate corporation tax liability of all companies within this tax group has been included within the Company's creditors (note 9) whilst a corresponding debtor has either been recognised within loans to group undertakings (note 7) or offset against amounts owed to subsidiary undertakings (note 10).

c. Factors that may affect future tax charges
Based on current capital investment plans, the Company expects capital allowances to exceed depreciation in future years at a similar rate to the current year. The Company also expects to incur a similar level of non-deductible expenditure.

Notes to the financial statements for the year ended 30 August 2008 (continued)

6 Tangible fixed assets

	Short leasehold land and buildings £'000	Fit out, fixtures and equipment £'000	Total £'000
Cost			
At 2 September 2007	244	157,657	157,901
Additions	87	22,918	23,005
Disposals	-	(109,464)	(109,464)
At 30 August 2008	**331**	**71,111**	**71,442**
Depreciation			
At 2 September 2007	70	128,089	128,159
Charge for the year	25	9,933	9,958
Disposals	-	(109,464)	(109,464)
At 30 August 2008	**95**	**28,558**	**28,653**
Net book value			
At 30 August 2008	**236**	**42,553**	**42,789**
At 1 September 2007	174	29,568	29,742

Assets held under finance leases and capitalised in fit out, fixtures and equipment	**2008 £'000**	2007 £'000
Cost	**4,470**	-
Aggregate depreciation	**(811)**	-
Net book amount	**3,659**	-

Notes to the financial statements for the year ended 30 August 2008 (continued)

7 Fixed asset investments

	Shares in group undertakings		Loans		
	Cost	Provision	Cost	Provision	Total
Group undertakings	£'000	£'000	£'000	£'000	£'000
At 2 September 2007	1,479,982	(288,929)	1,474,924	(156,091)	2,509,886
Additions	7,510	(7,491)	277,092	(1,229)	275,882
Repayments	-	-	(50,789)	-	(50,789)
At 30 August 2008	**1,487,492**	**(296,420)**	**1,701,227**	**(157,320)**	**2,734,979**

Advantage has been taken of Section 231(5) of the Companies Act 1985 not to disclose all group undertakings on the basis that such information would be of excessive length. The principal group undertakings in which the Company is invested are as follows:

Group undertaking	**Country of operation**	**Country of incorporation or registration**	**Main activity**
Arcadia Group Brands Ltd *	UK	England	Brand management
Arcadia Group Multiples (Ireland) Ltd *	Ireland	Ireland	Fashion retailing
Burton Retail Ltd*	UK	England	Fashion retailing
Dorothy Perkins Retail Ltd*	UK	England	Fashion retailing
Evans Ltd*	UK	England	Fashion retailing
Gresse Street Ltd	UK	England	Property investment
Miss Selfridge Retail Ltd	UK	England	Fashion retailing
Miss Selfridge Retail (Ireland) Ltd	Ireland	Ireland	Fashion retailing
Muse Retail Ltd	UK	England	Fashion accessory retailing
Outfit Retail Ltd	UK	England	Fashion retailing
Redcastle Ltd	UK	England	Property investment
Redcastle (214 Oxford Street) Ltd*	UK	England	Property investment
Redcastle Property Mortgage Ltd*	UK	England	Property investment
Top Shop/Top Man Ltd*	UK	England	Fashion retailing
Wallis Retail Ltd	UK	England	Fashion retailing
Wallis Retail (Ireland) Ltd	Ireland	Ireland	Fashion retailing
Zoom.co.uk Ltd	UK	England	E-commerce

* Denotes indirect shareholding.

Other than Gresse Street Limited and Muse Retail Limited, which are 53% and 50% owned, respectively, the Company owns the whole of the above companies issued ordinary share capital.

Consolidated financial statements have not been prepared, as the Company is a wholly owned subsidiary undertaking of Taveta Investments Limited, which prepares consolidated financial statements. In the opinion of the directors the aggregate value of the Company's investments in its subsidiary undertakings is not less than the amount at which they are stated.

Notes to the financial statements for the year ended 30 August 2008 (continued)

8 Debtors

Amounts falling due within one year	2008 £'000	2007 £'000
Amounts due from joint venture – loan	149	-
Amounts due from joint venture – trading balances	572	-
Other debtors (including VAT)	15,536	15,023
Prepayments and accrued income	10,718	13,772
	26,975	28,795

9 Creditors – amounts falling due within one year

	2008 £'000	2007 £'000
Bank overdrafts	47,548	371
Trade creditors	16,433	17,820
Finance leases	1,605	-
Amounts due to joint venture – trading balances	-	93
Corporation tax (note 5)	30,925	8,265
Other taxation and social security	5,643	5,456
Other creditors	7,649	10,209
Accruals and deferred income	34,605	34,056
	144,408	76,270

10 Creditors – amounts falling due after one year

	2008 £'000	2007 £'000
Finance leases falling due:		
- between one and two years	951	-
- between two and five years	92	-
Amounts owed to subsidiary undertakings	1,585,575	1,541,047
Other creditors	9,915	7,840
Accruals and deferred income	35,382	40,985
	1,631,915	1,589,872

Notes to the financial statements for the year ended 30 August 2008 (continued)

11 Provisions for liabilities and charges

Deferred taxation

The movement in the Company's deferred tax balance is as follows:

	£'000
At 2 September 2007	4,704
Profit and loss account (note 5a)	4,616
At 30 August 2008	**9,320**

	Amount provided / (recognised)		**Amount unrecognised**	
	2008	2007	**2008**	2007
	£'000	£'000	**£'000**	£'000
Accelerated capital allowances	**(977)**	(5,600)	**-**	-
Other timing differences	**10,297**	10,304	**-**	-
Capital losses	**-**	-	**(6,603)**	(7,080)
	9,320	4,704	**(6,603)**	(7,080)

The Company has not recognised a potential deferred tax asset in respect of agreed capital losses as there is insufficient evidence that it will generate the capital profits required to utilise the losses.

Deferred taxation is measured on a non-discounted basis at the tax rates that are expected to apply in the periods when timing differences reverse, based on tax rates at the balance sheet date.

12 Called up share capital

	2008		2007	
	£'000	**No. ('000)**	£'000	No. ('000)
Authorised				
Ordinary shares of 80p each	**200,000**	**250,000**	200,000	250,000
Deferred shares of 40p each	**320,000**	**800,000**	320,000	800,000
	520,000	**1,050,000**	520,000	1,050,000
Called up and fully paid				
Ordinary shares of 80p each	**168,163**	**210,204**	168,163	210,204

Notes to the financial statements for the year ended 30 August 2008 (continued)

13 Reserves

	Share premium account £'000	Capital redemption reserve £'000	Profit and loss account £'000	Total £'000
At 2 September 2007	393,676	223,431	179,463	796,570
Retained profit for the year	-	-	56,178	56,178
At 30 August 2008	**393,676**	**223,431**	**235,641**	**852,748**

14 Reconciliation of movements in equity shareholders' funds

	2008 £'000	2007 £'000
Retained profit for the year	**56,178**	66,457
Opening shareholders' funds	**964,733**	898,276
Closing shareholders' funds	**1,020,911**	964,733

15 Financial commitments

At 30 August 2008 the Company had capital commitments contracted but not provided for of £7,151,000 (2007: £6,002,000). In addition, the Company leases a number of properties from external landlords under non-cancellable operating leases that are subject to renegotiation at various dates. The minimum annual rentals under the foregoing are:

	2008 £'000	2007 £'000
Operating leases which expire:		
- within one year	**808**	787
- between two and five years inclusive	**316**	175
- after five years	**883**	1,010
	2,007	1,972

The Company also leases certain items of plant and machinery along with vehicles whose minimum annual rentals are as follows:

Other assets	**2008 £'000**	2007 £'000
Operating leases which expire:		
- within one year	**318**	324
- between two and five years inclusive	**1,602**	3,558
	1,920	3,882

Notes to the financial statements for the year ended 30 August 2008 (continued)

16 Contingent liabilities

The Company, along with certain of its subsidiary undertakings, has provided cross guarantees in respect of its parent undertaking's bank borrowings. The borrowings are secured by way of fixed charge over certain of the companies' freehold properties and by legal charge over their other assets and undertaking.

At the year end the amount outstanding under these guarantees totalled £670,000,000 (2007: £745,000,000). The directors do not expect a loss to arise as a result of providing these guarantees.

The Company has also guaranteed the rents payable by certain subsidiary undertakings which amounted to £24,587,000 (2007: £23,759,000) during the year.

17 Pension schemes

Eligible employees participate in a couple of defined benefit schemes operated by the Company to which the Company and a number of its subsidiaries contribute in order to provide pension and other benefits expressed in terms of a percentage of pensionable salary. These schemes are financed through separate trustee administered funds. Contributions to the schemes are based on actuarial advice following the most recent valuations of the funds.

Although these pension schemes are defined benefit in nature the Company accounts for its contributions as though they were defined contribution schemes as the Company is unable to identify its share of the underlying assets and liabilities of the schemes.

During the year, the Company contributed £12,475,000 (2007: £15,865,000) to the above schemes, which included £10,000,000 (2007: £13,000,000) of prepaid contributions in respect of future years. The current year contribution represents 10.5% of members' pensionable salary to the main Arcadia Group scheme and 34.7% of pensionable earnings to the other scheme. A further index-linked annual contribution of £2,712,000 is being made by the Group to one of the schemes.

An actuarial valuation of the Group's defined benefit schemes, carried out as at 30 August 2008 for the purposes of FRS 17, identified that the market value of the schemes' assets exceeded the present value of their liabilities by £32,793,000 (2007: £76,152,000). The detailed disclosures required by FRS 17 are provided for the Group as a whole in the consolidated financial statements of the Company's ultimate parent undertaking, Taveta Investments Limited.

The main defined benefit scheme is now closed to new entrants and eligible employees joining the Company are offered the opportunity to join the Group's defined contribution scheme.

Notes to the financial statements for the year ended 30 August 2008 (continued)

18 Parent undertaking, controlling party and related party disclosures

The Company's ultimate parent company is Taveta Investments Limited ('Taveta'), a company incorporated in England, which is also the parent undertaking of the smallest and largest group to consolidate these financial statements. Copies of Taveta's consolidated financial statements can be obtained by writing to the Secretary at Marylebone House, 129 – 137 Marylebone Road, London, NW1 5QD.

The Company has taken advantage of the exemption available within Financial Reporting Standard 8 from disclosing related party transactions with entities that are part of the Taveta group or investees of Taveta.

The Company's ultimate controlling party is Lady Cristina Green and her immediate family.

Sir Philip Green, Paul Coackley and Ian Allkins are directors of both BHS Group Limited and the Company.

During the year BHS Group Limited invoiced the Company £1,256,000 (2007: £1,163,000), mainly in respect of management and catering services. The Company also invoiced BHS Group Limited £42,000 (2007: £50,000) during the year. At 30 August 2008 the Company owed BHS Group Limited £273,000 (2007: £237,000).

Muse Retail Limited ('Muse') is a joint venture between the Company and DCK Concessions Limited. The Company provides Muse with support in a number of areas including administration, marketing and treasury. During the year the Company invoiced Muse £265,000 (2007: £126,000) in respect of these services. At the year end Muse owed the Company £721,000 (2007: £93,000 creditor).

One of the Company's subsidiaries is a member of the Fashion Retail Academy ('FRA'), which is a higher education academy that provides students with a range of courses with an emphasis on retailing. During the year, the Company charged FRA £44,000 (2007: £222,000) for administrative expenses and also provided FRA with other services on a gratis basis. In addition, FRA invoiced the Company £25,000 (2007: £39,000) for the use of its facilities and also earned £13,000 (2007: £16,000) of interest on bank balances deposited on its behalf by the Company. At the year end FRA owed the Company £29,000 (2007: £101,000).